

Message Text

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PAGE 01 STATE 201238

63

ORIGIN ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-15 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

AGR-20 ABF-01 FS-01 /210 R

DRAFTED BY ARA:DSZABO:LAS

APPROVED BY ARA:DSZABO

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO PRIORITY

C O N F I D E N T I A L STATE 201238

E.O. 11652: GDS

TAGS: PFOR, ECON, CI, US

SUBJECT: GOC ECONOMIC TEAMS MEETING WITH FIRST NATIONAL
CITY BANK

1. JACK CLARK, SENIOR VICE PRESIDENT OF FNCB FOR SOUTH AMERICA CALLED THIS AFTERNOON TO REPORT ON THEIR MEETING THIS MORNING WITH THE GOC ECONOMIC TEAM.

2. HIS GENERAL IMPRESSION OF THE TEAM WAS FAVORABLE. IT WAS APPARENT THAT ORLANDO SAENZ, WHO ACTED AS SPOKESMAN FOR THE GROUP, AND THE TEAM HAVE GIVEN CAREFUL THOUGHT TO THE APPROACH THEY WOULD TAKE WITH FNCB AND THE NEW YORK BANKING COMMUNITY. "THEY ARE SAYING ALL THE RIGHT THINGS" SAID CLARK, I.E., RECOGNIZING THE NEED FOR A UNIFIED EXCHANGE RATE, AN IMF MISSION, RELIABLE RULES OF THE GAME FOR FOREIGN INVESTORS. FOREIGN MINISTER HUERTA, WHO WAS PRESENT DURING PART OF THE DISCUSSION, UNDERSCORED THESE VIEWS AND ADDED THAT THE JUNTA IS NOT GOING TO MAKE
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PAGE 02 STATE 201238

THE SAME MISTAKES AS VELASCO DID IN PERU AND THAT IT

INTENDED TO RELY ON CIVILIAN TECHNICIANS FOR THE IMPLEMENTATION OF ITS ECONOMIC POLICIES.

3. THE GOC TEAM IS ASKING FOR 200 MILLION DOLLARS FROM THE US BANKING COMMUNITY. THEY WANT TO HAVE THEIR FORMER LINES OF MEDIUM AND LONG TERM CREDIT IN NEW YORK RE-ESTABLISHED. THEY UNDERSTAND THAT SUMS OF THIS MAGNITUDE WILL DEPEND ON THE REPORT FROM THE IMF ON CHILEAN ECONOMIC STABILIZATION PLANS AND THE MEETING OF THE PARIS CLUB IN JANUARY.

4. IN THE MEANTIME THEY ASKED FOR LETTERS OF CREDIT TO FINANCE VITAL FOOD IMPORTS. CLARK INDICATED THAT THE FIRST NATIONAL CITY BANK, TOGETHER WITH PERHAPS FIVE OR SIX OTHER NEW YORK BANKS ARE PREPARED TO PROVIDE FUNDS TOTALING 50 MILLION DOLLARS AGAINST A GOLD PLEDGE (I.E., THE 17 MILLION IN GOLD THE GOC HAS IN PARIS). THEY ARE PREPARED TO GIVE A FREE MARKET PRICE FOR THIS GOLD, IN THE RANGE OF 80 TO 90 DOLLARS AN OUNCE.

5. THE CONVERSATION BETWEEN THE BANKS AND THE GOC TEAM ARE EXPECTED TO CONTINUE FOR THE NEXT TWO DAYS. CLARK SAID HE EXPECTED THAT THE DISCUSSIONS WILL LEAD TO THE BANKS GRANTING THE 50 MILLION DOLLARS REQUESTED.

6. CLARK PROMISED TO KEEP US INFORMED. KISSINGER

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